



### Schedule of Other Tobacco Products Bad Debt Deduction (Adjustments)

Name	Account Number (FID# or TID#)	OTP License Number	Reporting Period (MM/YYYY)
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"Bad Debt" means the taxes attributable to any portion of a debt that is related to a sale of tobacco products subject to tax under Article 6-7-2-7 that is not otherwise deductible or excludable, that has become worthless or uncollectible in the time period between the date when taxes accrue to the state for the present return, and that is eligible to be claimed, or could be eligible to be claimed if the licensee kept accounts on an accrual basis, as a deduction pursuant to section 166 of the Internal Revenue Code. A bad debt shall not include any interest on the wholesale price of a tobacco product, uncollectible amounts on property that remains in the possession of the licensee until the full purchase price is paid, expenses incurred in attempting to collect any account receivable or any portion of the debt recovered, any accounts receivable that have been sold to a third party for collection, and repossessed property.

[illegible]

A person claiming a bad debt deduction on this schedule must complete in full the information required above and must attach all of the following:

1. A copy of the original invoice that supports each of the bad debts listed above as well as copies of complete returns with schedules.
2. Evidence that the tobacco product was delivered to the purchaser (e.g. a bill of lading signed by the purchaser).
3. Evidence that the purchaser of the tobacco product did not pay the licensee and that the licensee has used reasonable collection practices to collect the debt. (Proof of reasonable collection practices includes copies of delinquency letters, invoices showing past due amounts, and/or copies of US Certified Mail cards showing the person signed for the letter/invoice and/or refused to accept the letter/invoice)

4. Explain why you decided the debt was worthless. For example, you could show that the borrower had declared bankruptcy, or that legal action to collect would probably not result in payment of this debt.
5. Attach a complete copy of the OTP tax return(s) that pertains to this deduction.

Failure to provide this information and documentation could result in this deduction being disallowed.

## INSTRUCTIONS FOR COMPLETING SCHEDULE OTP-BD

Schedule OTP-BD should be completed when you have bad debt to be deducted from Other Tobacco Products Receipts. **Before** any deduction may be claimed on Form OTP-906, you **must** receive approval. Schedule OTP-BD and verification should be submitted to:

Special Tax Division: Excise Tax Section  
PO Box 901  
Indianapolis, IN 46204-0901.

The completed Schedule OTP-BD must include all verification & documentation of each bad debt being claimed. Refer to requirements 1-5 listed on the schedule. All 5 requirements must be met before your claim will be considered.

**The deduction must be approved prior to being claimed on the return. Any deductions not pre-approved will be disallowed.**

**Section A:** This information is from whom you purchased your tobacco products; a manufacturer or another wholesaler. If you are unsure from where your products were purchased, refer to the purchase invoice.

Column #1. Enter the complete name      Column #2. Enter the complete address

**Section B:** Relates to when you purchased the Other Tobacco Products.

Column #3: Enter the invoice number      Column #4: Enter the tax period (month/year) of the purchase

**Section C:** Enter the wholesale price of the transaction referred to in Section B. This amount would have been included on line 1 of Form OTP-906.

**Section D:** Relates to the purchaser who did not pay; thereby, causing your bad debt.

Column #6: Enter the Federal Identification Number      Column #7: Enter the complete name of the company that did not pay.

### **Non Participating Manufacturer (NPM) Roll-Your -Own (RYO) Tobacco Products**

**Section E:** The manufacturer of the Roll-Your-Own brand

Column #8: Enter the Federal Identification Number of the Roll-Your-Own manufacturer

Column #9: Enter the complete name of the Roll-Your-Own manufacturer

**Section F:** Enter each brand of the NPM's Roll Your Own that was sold on a separate line for each invoice number. Some invoices may be recorded more than once.

**Section G:** Enter the total units of product returned for each manufacturer's brand. Units = Total Ounces divided by 0.09.

**12.** Enter the total of Column C. After receiving Department approval, this amount should be entered on line 7 of Form OTP-906.

**13.** Enter the total units from Column G.

**Schedule OTP-BD must be submitted for approval prior to the deduction being claimed. All supporting verification and documentation must be included. Refer to requirements 1-5 listed on the schedule. All 5 requirements must be met for your claim to be considered.**

Questions related to the Bad Debt Deduction, Other Tobacco Products, should be directed to: [INCigTax@dor.in.gov](mailto:INCigTax@dor.in.gov)

Forms may be obtained from: [www.in.gov/dor/taxforms](http://www.in.gov/dor/taxforms)